

ORIGINAL

OPEN MEETING



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MEMORANDUM

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Arizona Corporation Commission

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MAR 31 2015

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 31, 2015

DOCKETED BY

RC

RE: IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF A NEW NET METERING TARIFF, A PARTIAL WAIVER OF THE COMMISSION'S NET METERING RULES AND A REVISED AVOIDED COST RATE IN THE COMPANY'S EXISTING NET METERING TARIFF (DOCKET NO. E-01461A-15-0057)

SUBJECT: APPROVAL OF REVISED AVOIDED COST RATE

BACKGROUND

On February 26, 2015, Trico Electric Cooperative, Inc. ("Trico") filed an application for approval of a new net metering tariff, a partial waiver of the Commission's net metering rules and a revised avoided cost rate in Trico's existing Net Metering Tariff (Schedule NM). On March 11, 2015, Trico filed a request for expedited consideration and procedural conference, including a request for approval without a hearing. This Staff memorandum only addresses the revised avoided cost rate. As detailed in Staff's Response (docketed on March 19, 2015) to Trico's filings, Staff believes that a hearing is necessary to address the remaining relief requested by Trico in its application. The remaining relief sought by Trico is not addressed in this memorandum and the proposed order.

Net Metering allows electric utility customers to be compensated for generating excess energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy production exceeds the energy supplied by Trico during a billing period, the customer's bill for subsequent billing periods is credited for the excess generation. That is, the excess kWh generated during the billing period are used to reduce the kWh billed by Trico during subsequent billing periods. Under Schedule NM, excess kWh is allowed to rollover in this manner to future billing periods for up to one year.

Every year in October (September usage) or for a customer's final bill upon discontinuance of service, Trico does not allow excess kWh to rollover. Instead, Trico credits any remaining excess kWh, at Trico's annual average avoided cost, which is specified in Schedule NM. R14-2-2302(1) defines avoided costs as "the incremental costs to an Electric Utility for electric energy or capacity or both which, but for the purchase from the Net Metering facility, such utility would generate itself or purchase from another source."

Trico's Net Metering Tariff provides for the annual average avoided cost to be determined by the average wholesale fuel and energy cost per kWh charged by Trico's wholesale power suppliers during the 12-month period.

Trico's current approved avoided cost rate was approved on January 26, 2010 in Decision No. 71462 at \$0.04205 per kWh. Trico proposes that the rate be decreased to \$0.03662 per kWh. Staff has reviewed Trico's purchased power costs that resulted in the \$0.03662 per kWh rate and confirms that the proposed rate reflects Trico's avoided cost.

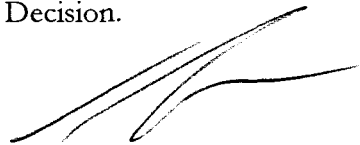
Therefore, Staff recommends that Trico's proposed avoided cost rate for its Schedule NM of \$0.03662 per kWh be approved, and become effective May 1, 2015.

RECOMMENDATIONS

Staff recommends that Trico's proposed avoided cost rate of \$0.03662 per kWh be approved.

Staff further recommends that the revised avoided cost rate be effective May 1, 2015.

Staff further recommends that Trico be required to file, with Docket Control, a revised Schedule NM consistent with the Decision in this matter within 15 days of the effective date of the Decision.



Steven M. Olea
Director
Utilities Division

SMO:JJP:red\RWG

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 SUSAN BITTER SMITH
3 Chairman

4 BOB STUMP
5 Commissioner

6 BOB BURNS
7 Commissioner

8 DOUG LITTLE
9 Commissioner

10 TOM FORESE
11 Commissioner

12 IN THE MATTER OF THE APPLICATION
13 OF TRICO ELECTRIC COOPERATIVE,
14 INC. FOR APPROVAL OF A NEW NET
15 METERING TARIFF, A PARTIAL WAIVER
16 OF THE COMMISSION'S NET METERING
17 RULES AND A REVISED AVOIDED COST
18 RATE IN THE COMPANY'S EXISTING
19 NET METERING TARIFF

DOCKET NO. E-01461A-15-0057

DECISION NO. _____

ORDER

20 Open Meeting
21 April 14 and April 15, 2015
22 Phoenix, Arizona

23 BY THE COMMISSION:

24 FINDINGS OF FACT

25 1. Trico Electric Cooperative, Inc. ("Trico") is certificated to provide electric service as a
26 public service corporation in the State of Arizona.

27 Background

28 2. On February 26, 2015, Trico filed an application for approval of a new net metering
tariff, a partial waiver of the Commission's net metering rules and a revised avoided cost rate in Trico's
existing Net Metering Tariff (Schedule NM). On March 11, 2015, Trico filed a request for expedited
consideration and procedural conference, including a request for approval without a hearing. This
order only addresses the revised avoided cost rate. As detailed in Staff's Response (docketed on
March 19, 2015) to Trico's filings, Staff believes that a hearing is necessary to address the remaining
relief requested by Trico in its application. The remaining relief sought by Trico is not addressed in
this order.

1 3. Net Metering allows electric utility customers to be compensated for generating excess
2 energy from renewable resources, fuel cells, or Combined Heat and Power. If the customer's energy
3 production exceeds the energy supplied by Trico during a billing period, the customer's bill for
4 subsequent billing periods is credited for the excess generation. That is, the excess kWh generated
5 during the billing period are used to reduce the kWh billed by Trico during subsequent billing periods.
6 Under Schedule NM, excess kWh is allowed to rollover in this manner to future billing periods for up
7 to one year

8 4. Every year in October (September usage) or for a customer's final bill upon
9 discontinuance of service, Trico does not allow excess kWh to rollover. Instead, Trico credits the
10 customer any remaining excess kWh at Trico's annual average avoided cost, which is specified in
11 Schedule NM. R14-2-2302(1) defines avoided costs as "the incremental costs to an Electric Utility for
12 electric energy or capacity or both which, but for the purchase from the Net Metering facility, such
13 utility would generate itself or purchase from another source."

14 5. Trico's Net Metering Tariff provides for the annual average avoided cost to be
15 determined by the average wholesale fuel and energy cost per kWh charged by Trico's wholesale
16 power suppliers during the 12-month period.

17 6. Trico's current approved avoided cost rate was approved on January 26, 2010 in
18 Decision No. 71462 at \$0.04205 per kWh. Trico proposes that the rate be decreased to \$0.03662 per
19 kWh. Staff has reviewed Trico's purchased power costs that resulted in the \$0.03662 per kWh rate
20 and confirms that the proposed rate reflects Trico's avoided cost.

21 7. Therefore, Staff has recommended that Trico's proposed avoided cost rate for its
22 Schedule NM of \$0.03662 per kWh be approved, and become effective May 1, 2015.

23 **Recommendations**

24 8. Staff has recommended that Trico's proposed avoided cost rate of 3.662¢ per kWh be
25 approved.

26 9. Staff has further recommended that the revised avoided cost rate should be effective
27 as of May 1, 2015.

28 10. Staff has further recommended that Trico be required to file, with Docket Control, a

1 revised Schedule NM consistent with the Decision in this matter within 15 days of the effective date
2 of the Decision.

3 CONCLUSIONS OF LAW

4 1. Trico is an Arizona public service corporation within the meaning of Article XV,
5 Section 2, of the Arizona Constitution.

6 2. The Commission has jurisdiction over Trico and over the subject matter of the
7 application.

8 3. The Commission, having reviewed the application and Staff's Memorandum dated
9 March 31, 2015, concludes that the revised avoided cost rate in Trico's Schedule NM should be
10 approved as discussed herein.

11 ORDER

12 IT IS THEREFORE ORDERED that Trico Electric Cooperative, Inc.'s proposed avoided
13 cost rate of \$0.03662 per kWh is approved.

14 IT IS FURTHER ORDERED that the revised avoided cost rate is effective as of May 1, 2015.

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1 IT IS FURTHER ORDERED that Trico Electric Cooperative, Inc. shall file, with Docket
2 Control, a revised Schedule NM consistent with the Decision in this matter within 15 days of the
3 effective date of the Decision.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
8 CHAIRMAN

COMMISSIONER

9
10 COMMISSIONER

COMMISSIONER

COMMISSIONER

11 IN WITNESS WHEREOF, I, JODI JERICH, Executive
12 Director of the Arizona Corporation Commission, have
13 hereunto, set my hand and caused the official seal of this
14 Commission to be affixed at the Capitol, in the City of
Phoenix, this _____ day of _____, 2015.

15 _____
JODI JERICH
16 EXECUTIVE DIRECTOR

17 DISSENT: _____

18 DISSENT: _____

19 SMO:JJP:red\RWG
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1 SERVICE LIST FOR: TRICO ELECTRIC COOPERATIVE, INC.
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